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Amendment No. 20 to HB0001

**Head
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AMEND Senate Bill No. 1*

House Bill No. 1

By deleting amendatory § 4-51-111 in its entirety and by substituting instead the following:

Section 4-51-111.

(a)

(1) All lottery proceeds shall be the property of the corporation.

(2) From its lottery proceeds the corporation shall pay the operating expenses of the corporation. As nearly as practical, at least fifty percent (50%) of the amount of money from the actual sale of lottery tickets or shares shall be made available as prize money; provided that this subdivision shall be deemed not to create any lien, entitlement, cause of action, or other private right, and any rights of holders of tickets or shares shall be determined by the corporation in setting the terms of its lottery or lotteries.

(3) As nearly as practical, for each fiscal year, net lottery proceeds shall equal at least thirty-five percent (35%) of the lottery proceeds; provided that for the first two (2) full fiscal years and any partial first fiscal year of the corporation net lottery proceeds need only equal, as nearly as practical, thirty percent (30%) of the lottery proceeds.

(b)

(1) There is created within the state treasury a "lottery for education account". Amounts remaining in the account at the end of each fiscal year shall not revert to the general fund. Money in the account shall be invested by the state treasurer pursuant to title 9, chapter 4, part 6 for the sole benefit of the

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account. All earnings attributable to such investments shall be credited to the lottery for education account.

(2) On or before the fifteenth day of the first month of each quarter, the corporation shall transfer to the state treasury, for credit to the lottery for education account, an amount representing the net lottery proceeds for the immediately preceding quarter. Upon deposit into the state treasury, net lottery proceeds shall become the unencumbered property of the state of Tennessee and the corporation shall have no power to agree or undertake otherwise. Except as otherwise provided in subdivision (3), such funds shall be for education programs and purposes in accordance with Article XI, Section 5 of the Constitution of Tennessee.

(3) A general shortfall reserve subaccount shall be maintained within the lottery for education account. The amount of the general shortfall reserve subaccount shall be equal to:

(A) the amount of unappropriated surplus accrued in the lottery for education account which shall be transferred to the general shortfall reserve subaccount at the end of each fiscal year from the lottery for education account; and

(B) the amounts appropriated to the general shortfall reserve subaccount by the general assembly, upon recommendation of the funding board and the governor.

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(4) A special reserve subaccount shall be maintained within the lottery for education account. The amount of the special reserve subaccount shall be equal to two percent (2%) of net lottery proceeds deposited into the lottery for education account from all deposits made to the fund from the initial deposit until the last deposit made in fiscal year 2005-2006. Transfers to the special reserve subaccount shall be made from the lottery for education account quarterly until the end of such fiscal year. The amount in the special reserve subaccount may be used to make or support loans to local government units for educational programs and purposes in accordance with Article XI, Section 5 of the Constitution of Tennessee and to pay or secure debt issued for such programs and purposes as otherwise provided by law. Notwithstanding any provision of this section to the contrary, treasurer's earnings on the special reserve subaccount shall be credited to the special reserve subaccount to be used in a manner consistent with this subdivision.

(c)

(1) No later than the date upon which the state funding board presents state revenue estimates to the governor pursuant to §9-4-5202(e)(3) in 2003, the funding board shall establish a projected revenue range for net lottery proceeds for the ensuing calendar year. No later than the date of presentation of such estimates to the governor by the state funding board in all subsequent years, the funding board shall project the revenue for net lottery proceeds for the remainder of the calendar year. Such projection shall be made in the same manner as

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other state revenues are projected by the funding board, which figure may be adjusted prior to the enactment of the general appropriations act. In making such projections, the funding board is authorized to obtain information from those having expertise and experience in projecting revenue from the sale of lottery tickets or shares.

(2)

(A) Before December 15, 2003, and before December 15 in each succeeding year, the Tennessee student assistance corporation shall prepare a report setting forth an estimate of the total cost of lottery related financial assistance to be provided to Tennessee citizens during the next fiscal year pursuant to the provisions of Senate Bill 437 / House Bill 787, Chapter No. __ of the Public Acts of 2003. Such report shall include the major assumptions and the methodology used in arriving at such estimate. For the report due in December 2003, the Tennessee student assistance corporation shall base its estimate of total costs on the award values established pursuant to the provisions of Senate Bill 437 / House Bill 787, Chapter No. __ of the Public Acts of 2003. For subsequent reports, the Tennessee student assistance corporation shall base its estimate of total costs on the award values in effect at the time the report is prepared. The Tennessee higher education commission, the board of trustees of the university of Tennessee system, the state board of regents, the department of education and the Tennessee independent

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college and universities association shall provide the Tennessee student assistance corporation with such information as is needed to prepare its report. The Tennessee student assistance corporation shall deliver its report to the governor, the funding board, the speaker of the senate, the speaker of the house of representatives, the chairs of the senate and house finance, ways and means committees and the chairs of the senate and house education committees.

(B) Before December 15, 2003, and before December 15 in each succeeding year, appropriate state agencies shall submit to the funding board and to the governor their recommendations for other educational programs and purposes consistent with Article XI, Section 5 of the Tennessee Constitution based on the difference between the funding board's projections and recommendations for the lottery scholarship program based on the report submitted pursuant to subpart (A).

In no event shall such recommendations exceed the projections of the funding board for a specific fiscal year.

(3)

(A) The governor shall submit to the general assembly in the annual budget document prepared pursuant to title 9, chapter 4, part 51 recommendations concerning the distributions to be made from the lottery for education account based on the projections of the funding board, including recommended appropriations by the funding board from the

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general shortfall reserve subaccount, if any, pursuant to subdivision (4) and any treasurer's earnings credited to the lottery for education account.

(B) In a separate budget category entitled "net education lottery proceeds", the governor shall estimate the amount of net lottery proceeds and treasurer's earnings thereon to be credited to the lottery for education account during the fiscal year and the amount of unappropriated surplus estimated to be accrued in the account at the beginning of the fiscal year. The sum of estimated net lottery proceeds, treasurer's earnings thereon, and unappropriated surplus shall be designated "net education lottery proceeds".

(C) In the budget document, the governor shall submit specific recommendations as to the educational programs and purposes for which appropriations should be made from the lottery for education account. Such recommendation shall include the specific value of each category of awards to be offered pursuant to the provisions of Senate Bill 437 / House Bill 787, Chapter No. __ of the Public Acts of 2003.

(4) In any year in which the amount reflected as net education lottery proceeds is significantly greater due to an unusual fluctuation in lottery proceeds, no recurring expenditure shall be recommended from such increased proceeds. The funding board may recommend appropriation of funds to the general shortfall reserve subaccount if such fund is deemed inadequate; the funding board may recommend appropriation of funds from the general shortfall reserve subaccount

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if adequate funds are available in the general shortfall reserve subaccount and if such funds are needed for educational programs and purposes consistent with Article XI, Section 5 of the Constitution of Tennessee.

(5) The general assembly shall appropriate from the lottery for education account by specific reference to it, or by reference to "net education lottery proceeds". All appropriations to any particular budget unit shall be made together in a separate part entitled, identified, administered and accounted for separately as a distinct budget unit for net education lottery proceeds. Such appropriations shall otherwise be made in the manner required by law for appropriations.

(6) Notwithstanding any other provision of law to the contrary, the first appropriations to be made by the general assembly of net education lottery proceeds shall be for the initial administrative and operational scholarship program costs. Such appropriation shall be made in the 2003-2004 fiscal year from funds credited to the lottery for education account during the 2003-2004 fiscal year for educational programs and purposes otherwise provided by law. In fiscal year 2004-2005, the general assembly may appropriate for specific educational programs and purposes otherwise provided by law net education lottery proceeds from lottery sales occurring during the calendar year beginning January 1, 2004 through December 31, 2004, treasurer's earnings thereon and recommended appropriations from the general shortfall reserve subaccount, if any, and all amounts, including treasurer's earnings thereon, credited to the

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lottery for education account from lottery sales occurring prior to January 1, 2004, if any. During the 2005-2006 fiscal year, the general assembly shall include in its appropriation for specific educational programs and purposes otherwise provided by law, any remaining amounts credited to the lottery for education account from lottery sales occurring during the calendar year beginning January 1, 2004 through December 31, 2004, including treasurer's earnings and recommended appropriations from the general shortfall reserve subaccount, if any, which were not appropriated during the 2004-2005 fiscal year. Beginning with the 2006-2007 fiscal year and thereafter, the general assembly shall appropriate for specific educational programs and purposes otherwise provided by law the amount of net lottery proceeds deposited in the lottery for education fund from lottery sales occurring during the full calendar year immediately preceding the fiscal year for which appropriations of such funds are made, treasurer's earnings thereon and recommended appropriations from the general shortfall reserve account, if any.

(7) It is the intent of the general assembly that appropriations from the lottery for education account shall be allocated and expended for educational programs and purposes only in accordance with Article XI, Section 5 of the Constitution of Tennessee. Such net education lottery proceeds shall be used to supplement, not supplant, existing resources for educational programs and purposes.

(d) Any funds appropriated, but not expended, for educational programs or purposes from the lottery for education account or from the general shortfall reserve

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subaccount shall not revert to the general fund at the end of the fiscal year but shall be credited, respectively, to the lottery for education account or the general shortfall reserve subaccount and retained there until allocated and appropriated as provided in subsections (b)(3) and (c).

(e) In compliance with the requirement of this act that there shall be a separate accounting of net education lottery proceeds, no deficiency in the lottery for education account shall be replenished by book entries reducing any non-lottery reserve of general funds, including specifically but without limitation the reserve for revenue fluctuations or other reserve accounts established by law; nor shall any program or project started specifically from net education lottery proceeds be continued from the general fund; such programs must be adjusted or discontinued according to available net education lottery proceeds unless the general assembly by general law establishes eligibility requirements and appropriates specific other funds within the general appropriations act; nor shall any non-lottery surplus in the general fund be reduced. No surplus in the lottery for education account shall be reduced to correct any non-lottery deficiencies in sums available for general appropriations, and no surplus in the lottery for education account shall be included in any revenue or surplus calculated for setting aside any additional funds in the reserve for revenue fluctuations as provided in § 9-4-211.